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R. E. Sigmon
Vice President - Regulatory Affairs

August 20, 1993

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

In the Matter of:

Local Exchange Carriers' Rates,
Terms, and Conditions for
Expanded Interconnection for
Special Access

CC Docket No. 93-162

Dear Mr. Caton:

Enclosed for filing are the original and seven copies of Cincinnati Bell Telephone Company's Direct Case in CC Docket No. 93-162.

Also provided is a duplicate of this letter and the enclosures. Please date stamp and return this duplicate as acknowledgement of its receipt.

Questions regarding this Direct Case should be addressed to Mr. Al Titus at (513) 397-7388 or faxed to him at (513) 241-9115.

Sincerely,

Robert E. Sigmon

Enclosures

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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In the Matter of)

Local Exchange Carriers' Rates, Terms,
and Conditions for Expanded Interconnection
for Special Access)

CC Docket No. 93-162

DIRECT CASE OF CINCINNATI BELL TELEPHONE COMPANY

On October 19, 1992, the Commission released its Report and Order in CC Docket No. 91-141 requiring Cincinnati Bell Telephone Company (CBT), and other Tier 1 local exchange carriers (LECs) other than NECA pool members to file tariffs offering expanded interconnection for special access services.¹ CBT filed Transmittal No. 620 on February 16, 1993 in compliance with the Special Access Order and the Reconsideration Order.² On June 9, 1993, the Common Carrier Bureau (Bureau) released its Special Access Tariff Order³ suspending CBT's and the other subject LECs' special access interconnection tariffs for one day, permitting the tariffs to take effect subject to an accounting order, and initiating an investigation. On July 23, 1993, the

¹Expanded Interconnection with Local Telephone Company Facilities, Report and Order and Notice of Proposed Rulemaking, CC Docket No. 91-141, 7 FCC Rcd 7369 (1992) (Special Access Order), recon., 8 FCC Rcd 127 (1992), pets. for recon. pending, appeal pending sub nom. Bell Atlantic Corp. v. FCC, No. 92-1619 (D.C. Cir., filed Nov. 25, 1992).

²Expanded Interconnection with Local Telephone Company Facilities, Memorandum Opinion and Order, CC Docket No. 91-141, 8 FCC Rcd 127 (1992) (Reconsideration Order).

³Ameritech Operating Companies, Transmittal No. 697, et al., 8 FCC Rcd 4589 (Com. Car. Bur. 1993) (Special Access Tariff Order).

Bureau released its Order Designating Issues For Investigation⁴ with respect to the LECs' expanded interconnection tariffs for special access. In Appendix A attached hereto, CBT addresses the issues raised in the Order to the extent they relate to CBT's Transmittal No. 620 and demonstrates that its interconnection tariff is just and reasonable. In addition, CBT provides the Tariff Review Plan required by the Order.

Respectfully submitted,

FROST & JACOBS

By: 

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Dated: August 20, 1993

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⁴Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, Order Designating Issues For Investigation, CC Docket No. 93-162, DA 93-951 (released July 23, 1993) (Order).

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ISSUES DESIGNATED FOR INVESTIGATION

A. Are the rates levels established in the LECs' physical and virtual expanded interconnection tariffs excessive?

CBT's expanded interconnection tariff currently offers only physical collocation. While the cross-connect rate element and some other provisions in CBT's tariff would also likely be applicable to virtual collocation, CBT offers virtual collocation only on a negotiated basis and to date CBT has received no requests for virtual collocation. If any virtual collocation arrangements are negotiated in the future, they will be tariffed and made available to other parties.

The rate levels established in CBT's tariff for physical collocation are not excessive. In Transmittal No. 620, CBT provided the Commission with cost development and support documentation relating to CBT's special access interconnection service. CBT provided further rate and cost development data in response to the Commission's April 30, 1993 data request (reference number 1600C1). The information already supplied to the Commission, in conjunction with CBT's Tariff Review Plan and related documentation attached hereto as Exhibit A, clearly demonstrate the reasonableness of CBT's interconnection rates.

B. Are the rate structures established in the LECs' expanded interconnection tariffs reasonable?

The rate structures established in CBT's tariff are reasonable. The Bureau has requested, in paragraph 31(a) of the Order, information regarding bundling of rate elements. In its tariff, CBT established separate rate elements for cage construction, cross connections, prorated common construction costs, floor space, cable space, conduit space, DC power, and security cards. CBT did not bundle cage construction charges with space preparation charges, nor did

CBT bundle other charges into its floor space rental rates. In addition, CBT permits interconnectors to install and maintain their own fiber optic facilities from the manhole to the interconnector's cage rather than paying CBT to perform this function. CBT believes the foregoing rate elements are logical and reasonably separate the costs of expanded interconnection based on cost-causative principles. CBT's rate elements allow interconnectors to use CBT's services and network in a flexible and efficient manner without unnecessary unbundling. Additional unbundling would create administrative costs and other costs (such as the expense of further cost studies) while providing little additional benefit to the interconnector. As the Commission has noted in connection with ONA, inefficiencies may occur from unnecessarily unbundled or splintered services.¹

The Bureau also requests justification of the rate structures to recover central office construction charges (paragraph 31(b) of the Order). CBT's tariff provides that interconnectors must reimburse CBT only for costs that CBT actually incurs in providing expanded interconnection. If the original interconnector leaves the cage in a condition acceptable to the subsequent interconnector, then CBT will not assess cage construction charges on the subsequent interconnector. The subsequent interconnector will pay for only the necessary repairs to the cage and for any improvements or additional features requested by such interconnector.

With regard to recovering common construction costs, Section 17.6.1(F) of CBT's tariff states that the first interconnector in a particular wire center will be charged the full amount of common construction costs. The second interconnector in the wire center will be charged half

¹Amendment of Sections 64.702 of the Commission's Rules and Regulations (Third Computer Inquiry), CC Docket No. 85-229, Report and Order, 104 F.C.C.2d 958 (1986), at para. 217.

of the common construction costs, with that amount refunded to the first interconnector. Any subsequent interconnectors will be charged the prorated amount of common construction costs based on the total number of interconnectors in the wire center, with prior interconnectors receiving a prorata refund. CBT has not imposed a time limit on such refunds.

CBT believes that assessing the full amount of common construction costs on the first interconnector, but providing for prorata refunds to that interconnector (and any subsequent interconnectors) is a reasonable and equitable method for recovering common construction costs. Such a method does not depend on demand forecasts for collocation and follows the Commission's cost-causation principles.

The Bureau has directed LECs to explain their provisions regarding supplying electric power to interconnectors (paragraph 31(e) of the Order). CBT will provide and charge the interconnector for the number of amps of DC power that the interconnector requests. CBT chose to use fuses to limit the DC power to the amount requested by the interconnector. CBT chose not to supply power based on actual usage to avoid the cost of separate electric meters for each interconnector. The cost of such meters would increase the cost of the service with no appreciable increase in benefit to the interconnector. The interconnector is in the best position to know its power requirements and can request CBT to supply that amount.

In paragraph 31(g) of the Order, the Bureau seeks information regarding "additional, extraordinary, or individually determined costs." CBT's tariff contains provisions allowing CBT to charge the interconnector for additional or extraordinary costs. The inclusion of these provisions in CBT's tariff is reasonable because the interconnector would be requesting, or otherwise causing, the activity leading to the extraordinary costs. CBT uses the terms "Special

Construction," "Additional Design and Construction" and "dedicated or special arrangements" to refer to extraordinary costs. These terms include any construction necessary to provide interconnection service to an interconnector which, for whatever reason, requires service that is different from standard interconnection service. Standard service includes a steel wire cage, DC power, AC power outlets, security card access, shared environmental conditioning, and other shared facilities. For example, if an interconnector wants walls instead of a wire cage, then separate environmental conditioning may be necessary. The interconnector should bear that cost. Similarly, if an interconnector requests more than one cable entrance to a wire center which currently has only one entrance, or requests dedicated instead of shared facilities, then it should pay for the cost of CBT providing the additional services.

C. Are the LECs' provisions regarding interconnection space size, expansion, and location reasonable?

CBT's tariff provisions governing floor space size and expansion are reasonable. Section 17.4.1(C) of CBT's tariff states that each interconnector is limited to 200 square feet of space per wire center. CBT's tariffed rates are based on 100 square feet of space. CBT based its 100 square feet figure on the assumption that each interconnector would install two relay racks within its collocation space. Approximately 672 DS1 circuits can be terminated on two relay racks. Each rack has a footprint of about two feet by one foot and CBT's network and safety policies require at least two feet of open area around the equipment. CBT also assumed that each interconnector would desire space for storage of spare parts, technical manuals, etc. as well as general work space. Upon request, CBT will negotiate with an interconnector for collocation space of less than 100 square feet. Based on CBT's understanding of interconnectors' needs and network requirements, however, CBT believes that 100 square feet is a reasonable minimum.

The available space for collocation in CBT's wire centers is limited. By allowing each interconnector up to 200 square feet, CBT has attempted to ensure that space will be available to all parties requesting collocation while furnishing sufficient space to each interconnector. Without space limitations, CBT is concerned that interconnectors could "warehouse" all available space to the detriment of future interconnectors and competition in general.

In paragraph 36(c) of the Order, the Bureau directs the LECs to describe how they will treat orders for additional space. CBT will treat orders for additional space the same as CBT treats new orders for space. CBT's tariff provides that floor space is available on a first-come, first-served basis. CBT's tariff also allows an interconnector to reserve additional floor space, up to the maximum permitted per wire center.

Because CBT's tariff gives the interconnector the opportunity to reserve additional space to meet its projected growth needs when it places its first order, the tariff provisions treating orders for additional space as new orders are reasonable. CBT incurs separate design and construction costs for each order processed. It is reasonable for the interconnector to reimburse CBT for those costs in the form of a nonrecurring charge. In addition, it should be noted that any amount of the nonrecurring charge that is not expended in connection with processing the order is applied toward the nonrecurring cage construction costs for that interconnector.

The Bureau has also requested that LECs specify their policies regarding provision of contiguous space (Order at paragraph 36(d)). Section 17.4.2 of CBT's tariff states that CBT will use reasonable efforts to assign reserved space so that it is contiguous with the interconnector's existing space. Of course, CBT cannot guarantee that contiguous space will be available. If contiguous space is occupied by another interconnector, then the interconnector desiring the

space is free to seek the approval of the other interconnector to relocate. CBT would expect the interconnector requesting the move to bear all costs associated with both interconnectors' moves. In addition, as noted above, if an interconnector anticipates needing additional space it may reserve such additional space for up to 12 months or until CBT requires the space or another interconnector requests the space. CBT's policy reasonably balances the interconnector's desire to have space to accommodate future growth with CBT's and other interconnectors' existing and future needs for the same space.

The Bureau asks the LECs to specify their policies regarding direct cabling between noncontiguous spaces. CBT allows an interconnector to cable directly between the same interconnector's noncontiguous spaces. The interconnector is responsible for the labor and expense of such cabling. Cabling between the facilities of different interconnectors inside the LEC central office is outside the scope of the Special Access Order and CBT does not permit such direct cabling within its wire centers. Interconnectors are free to interconnect to each other on their own premises.

D. Are LECs tariff prohibitions against expanded interconnection with dark fiber service consistent with the Special Access Order?

This issue does not apply to CBT.

E. Do the LECs' tariffs prevent interconnector control over channel assignment on the interconnectors' networks and, if so, is such an arrangement reasonable?

CBT's tariff permits the interconnector to control its own channel assignments. CBT does not "hard wire" the interconnector's facilities. Under CBT's tariff, the interconnector has channel assignment control up to CBT's digital cross-connect (DSX) panel, thus permitting

greater flexibility over network configuration. A diagram illustrating this process is attached hereto as Exhibit B.

F. Are the LECs' provisions regarding warehousing or efficient use of space reasonable?

CBT's tariff contains no provisions requiring "efficient" use of space. The tariff provisions regarding space warehousing are reasonable. CBT's tariff, in Sections 17.3(K) and 17.4.2(E), reserves to CBT the right to reclaim and reallocate space that an interconnector does not begin to use within sixty days to provide special access service. CBT would treat the ordering of a cross-connect as satisfying this requirement. CBT intends to apply this provision only if other floor space is unavailable. This provision is necessary to prevent interconnectors who do not intend to offer service in the near term from depriving other interconnectors of necessary floor space.

G. Are the LECs' provisions regarding notice to or from interconnectors in the event of service termination reasonable?

CBT does not require the interconnector to give CBT any notice before terminating its collocation arrangement with CBT. Similarly, CBT does not intend to provide any formal notice to an interconnector prior to terminating service. Section 2 of CBT's access tariff provides that CBT will give notice prior to terminating service where practicable, but CBT is not required to give any such notice to any customer. Interconnectors are therefore treated no differently than other customers in this regard. As noted in response to the following issue, CBT will terminate service only after material and/or repeated violations of its tariff and after other resolution methods have failed. The interconnector will have control over whether it materially and/or repeatedly violates the tariff and can, and should, take steps to remain in compliance with CBT's

tariff. As a practical matter, the dispute resolution methods that will be attempted prior to termination will provide ample notice that an interconnector's service is in danger of termination. A formal notice period would serve no purpose after repeated attempts to resolve a dispute have failed.

H. Are the LECs' provisions permitting them to terminate a collocation arrangement reasonable?

The termination provisions of CBT's tariff are reasonable. CBT distinguishes between "discontinuing service" and "terminating the collocation arrangement." For example, an interconnector's service may be discontinued temporarily because its equipment is causing interference in CBT's network. As with any other tariffed service, however, temporary discontinuance does not mean the entire service arrangement will be terminated. CBT reserves the right to terminate the collocation arrangement for material and/or repeated violations of the tariff after other resolution methods have failed. Material violations could include repeated security breaches; repeated noncompliance with network compatibility standards; actions that unreasonably endanger the health and safety of others; noncompliance with CBT's insurance requirements; and failure to pay for services. CBT imposes no special credit-worthiness standards on interconnectors and CBT should not be forced to continue to provide service to an interconnector who does not pay for the services or who otherwise repeatedly violates the tariff. CBT has no intention of terminating service without cause and will cooperate with the interconnector to try to resolve problems without resorting to termination. Accordingly, CBT's termination provisions are just and reasonable and should not be modified.

I. Are the LECs' provisions regarding termination of collocation arrangements in the event of a catastrophic loss reasonable?

The Bureau has requested justification for the time period within which the LEC will inform interconnectors of the LEC's plans to rebuild or relocate a wire center in the event of catastrophic loss (Order at para. 54). Section 17.9.4(F)(4) of CBT's tariff states CBT's policy regarding informing interconnectors of CBT's plans in the event of catastrophic loss at a wire center. If the interconnector's space is rendered unusable through no fault of the interconnector, or if the wire center itself is extensively damaged, CBT may terminate the collocation arrangement by giving notice thereof to the interconnector within ninety days after the catastrophe. Of course, the interconnector is relieved of the obligation to pay for interconnection service from the date of the catastrophe until the wire center is repaired or restored.

CBT intends to inform the interconnector promptly after deciding whether to repair, relocate or close the wire center. The 90-day period is a reasonable amount of time for CBT to decide internally whether the wire center will be rebuilt while ensuring that the interconnector is not unduly delayed in formulating its business plans in response to the catastrophe. Since virtually any catastrophe at a wire center would adversely impact CBT to at least the same degree as the interconnector, CBT's notice policy does not confer any special benefit on CBT and is reasonable.

J. Are the LECs' relocation provisions reasonable?

CBT's relocation provisions are reasonable. Under Section 17.4.1(I) of its tariff, CBT reserves the right to relocate an interconnector to reasonably equivalent space, or to another CBT facility, for good cause. If the relocation is based on an act or decision of CBT, then there is no additional cost to the interconnector for relocation; otherwise, the interconnector will bear

the relocation costs. Good cause would include a decision to close the entire wire center based on network engineering considerations, a decision to abandon part or all of a wire center because of unsafe or hazardous conditions, or any other reason preventing use of some or all of a wire center for its intended purposes. It would be impracticable to specify each and every situation when good cause would exist to relocate an interconnector. In any event, the relocation must be to reasonably equivalent space, or to another CBT facility, and only for good cause.

K. Are the LECs' insurance provisions reasonable?

CBT's insurance provisions are reasonable. Insurance operates as a financial guarantee of the interconnectors' indemnity obligations contained in the tariff. Under the Special Access Order, CBT must provide interconnection service to all interconnectors without regard to the interconnector's financial status. CBT must simultaneously protect CBT's ratepayers and investors against losses which might be caused by the interconnector. While the interconnector may be obligated to indemnify CBT against such losses, that indemnity obligation is worthless without the financial resources to pay for the losses.

CBT requires limits of \$5 million for comprehensive general liability insurance and \$20 million in excess liability insurance. CBT does not require any automobile insurance. CBT itself carries well over \$25 million in liability insurance to protect against losses to its assets.

The replacement cost of CBT's largest central office (and the office likely to contain the most collocators) is \$266 million. Given the values of the properties covered and the fact that losses from fires and other catastrophic events can be very large (especially in unattended offices), CBT's insurance requirement of \$25 million is reasonable. The \$25 million figure is

less than 10% of the replacement cost of a single central office in a single metropolitan area, and is below the amount of coverage CBT maintains for itself.

CBT does not oppose allowing interconnectors to meet the insurance requirements through self-insurance if the interconnector demonstrates, on an on-going basis, the financial ability to meet its indemnity obligations.

CBT requires that an interconnector's insurance company have a Best AA-12 rating. This requirement is reasonable because an insurance company that is unable to pay claims would not provide the necessary financial guarantee to back up the interconnector's indemnity obligations. If the insurance company is unable to pay for the loss and the interconnector is unable to pay for the loss, then the loss unjustly falls on CBT's ratepayers and/or investors. CBT uses only underwriters with at least a Best A rating and requires a Best A rating for insurance companies used by its contractors and vendors.

CBT is puzzled by objections to the requirement that insurance be in effect prior to the interconnector starting work in CBT's central office. If insurance is not in place and a loss occurs, then the interconnector is essentially self-insured for the entire loss. It should be in the interest of the interconnector, as well as CBT, to obtain insurance prior to the time a loss could occur. CBT requires its contractors to furnish certificates evidencing the required insurance prior to the start of work and submits that this condition is customary and reasonable.

L. Are the LECs' liability provisions reasonable?

CBT's liability provisions are reasonable. CBT's tariff requires interconnectors to indemnify CBT against losses arising out of the interconnector being collocated on CBT's premises. It is reasonable for the interconnector to be responsible for such losses because of the

increased risk of harm to CBT's personnel and property as a result of CBT opening its central offices to competitors. In the absence of interconnection, no such risk would be present and the party benefitting from the collocation arrangement should bear the risk of losses resulting from the arrangement.

M. Are the LECs' provisions regarding whether to bill from their state or interstate expanded interconnection tariffs reasonable?

CBT will apply the "ten percent rule" to determine the jurisdictional nature of its expanded interconnection service. CBT currently applies the ten percent rule to special access service and, as the Bureau notes, "it would appear to be reasonable for the LECs to use the ten percent rule to determine which tariff to use for billing special access interconnection service." (Order at para. 67.) CBT's tariff provisions regarding billing from the state or interstate tariff are reasonable.

N. Are the LECs' provisions regarding letters of agency reasonable?

CBT will honor letters of agency for ordering purposes only. With regard to billing, however, CBT will bill only the interconnector, not the interconnector's customer. It is unreasonable to require CBT to be responsible for billing the interconnector's customer, or that customer's customer with no additional compensation to CBT for performing that service. CBT's billing system currently cannot "split bill" a circuit, i.e., bill the channel termination to one customer and the cross-connect to another customer. CBT would consider negotiating a separate billing and collection agreement with the interconnector for CBT to bill the interconnector's customers directly.

O. Are the LECs' provisions regarding inspections of interconnector space and facilities reasonable?

The Bureau requires the LECs, in paragraph 77(a) of the Order, to identify their tariff provisions governing inspection of interconnector space and facilities. CBT's tariff provides for occasional inspections of the interconnectors' collocation space and installations under four circumstances: (i) to determine compliance with applicable network, health, and safety standards during and shortly after the interconnector installs its facilities between CBT's manhole and the interconnector's cage; (ii) at least annually, when CBT's own premises and facilities are inspected, as required by CBT's insurance company; (iii) when CBT has reason to believe that the interconnector is not in compliance with the network reliability requirements set forth in Section 17.5 of CBT's tariff and (iv) to determine whether the interconnector has corrected any previously identified circumstances not conforming to CBT's tariff.

Unless an emergency exists, the inspections are made upon five days prior notice to the interconnector and the interconnector is given the opportunity to be present during the inspection. CBT will bear the cost of such inspections in every instance except for the inspection(s) to determine if the interconnector's initial installation and facilities comply with applicable standards.

CBT's inspection provisions are designed to verify the interconnector's compliance with CBT's tariff. In some cases, the inspections are already required by CBT's insurance carrier. The inspections are not burdensome and impose virtually no additional cost on the interconnector. Under normal circumstances, the inspections will be made upon five days prior notice and with the interconnector present. CBT's inspection provisions are just and reasonable and should be upheld.

P. **Should LECs be permitted to include provisions regarding the payment of taxes and similar assessments by interconnectors?**

CBT's tariff does not contain provisions requiring interconnectors to pay, before delinquency, any taxes or other charges assessed on the interconnector's operations or equipment located on the collocation site.

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CERTIFICATE OF SERVICE

I, Peggy A. Peckham, do hereby certify on this 20th day of August, 1993, that I have caused a copy of the foregoing Cincinnati Bell Telephone Company's Direct Case to be mailed via first class United States mail, postage prepaid, to the persons on this service list.


Peggy A. Peckham

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GENERAL SUPPORT REQUIREMENTS

I. Introduction.

In paragraph 14 of the Order, the Bureau required LECs, as part of their Direct Cases, to provide cost support data for special access expanded interconnection in a uniform format, as specified in the Tariff Review Plan attached to the Order. The Bureau also propounded a number of questions as to the specifics of each LEC's cost and rate development processes. The following sections of this Exhibit A, together with the attachments, respond to each question which is applicable to CBT. Following that discussion is CBT's Tariff Review Plan (TRP), attached at Tab 1. CBT's TRP is provided in the format required by the Bureau. However, in some instances the tables provided by the Bureau are not consistent with the manner in which CBT will account for those costs. Specifically, although the nonrecurring "common construction" costs and the nonrecurring "interconnector-specific" costs are shown on the TRP tables as "Account 2121 - Buildings," CBT will expense these items.

CBT did not include TRP tables for the "Construction Provisioning Function." CBT's charges for "Design and Construction" are included in CBT's "Application Fee." CBT requires the interconnector to submit this fee with its request for collocation. This charge will vary depending on the amount of work required to process each interconnector's request. The charge is applied to actual work performed with the remainder refunded to the interconnector if the interconnector decides not to collocate, or applied to the interconnector's cage construction charges if the interconnector decides to collocate.

II. Tariff Review Plan.

The Bureau has directed each LEC to append a chart to its TRP listing each rate element that is partitioned and demonstrating that the sum of the unit costs and rates of the partitioned parts equals the unit cost and rate, respectively, of the partitioned rate (Order at paragraph 18). Attached hereto at Tab 2 is the chart requested by the Bureau.

III. Itemized Cost Information.

A. In paragraph 22(b)(1) of the Order, the Bureau requests LECs to provide documentation for the items listed in the TRP charts. CBT hereinafter provides the requested documentation as follows:

1. Investment Data

For the DS-1 Cross Connection Cable & Cable Support Function - Recurring Rate, the individual account investments are taken from the Collocation Cost Study Support attached hereto at Tab 3. The specific investments can be found at Tab 3, Attachment B-1, Worksheet 1.

For the DS-3 Cross Connection Cable & Cable Support Function - Recurring Rate, the individual account investments are taken from the Collocation Cost Study Support. The individual account investments can be found at Tab 3, Attachment B-1, Worksheet 2.

For the DC Power Installation Function - Recurring Rate, the individual account investments are taken from the Collocation Cost Study Support. The individual account investments can be found at Tab 3, Attachment B-1, Worksheet 5. These investments are the Cable & Rack Investment per Customer per Square Foot on such worksheet.

For the DC Power Generation Function - Recurring Rate, the individual account investments are taken from the Collocation Cost Study Support. The Digital Electronics investment can be found at Tab 3, Attachment B-1, Worksheet 7 on the line labeled DC Power Plant Investment per Amp. The Land and Building investments are developed from the Land and Building Investments per Square Foot as shown on Tab 3, Attachment B-1, Worksheet 6, multiplied by the DC Power Plant Floor Space shown on Tab 3, Attachment B-1, Worksheet 7, and then divided by the DC Busy Hour Load in Amps shown on Tab 3, Attachment B-1, Worksheet 7.

For the Floor Space Function - Recurring Rate, the individual account investments are taken from the Collocation Cost Study Support. The individual account investments can be found at Tab 3, Attachment B-1, Worksheet 6.

For the Entrance Facility Space Function - Recurring Rate, the individual account investments for Riser Cable Space are taken from the Collocation Cost Study Support. These figures are developed from the investments found at Tab 3, Attachment B-1, Worksheet 8. Since Group I investments assume three interconnectors in the central office, the Group I investments are developed by dividing the investments on Tab 3, Attachment B-1, Worksheet 8 by 3.

The individual account investments for Conduit Space are also taken from the Collocation Cost Study Support. The figures are developed from the investments found at Tab 3, Attachment B-1, Worksheet 9, by dividing the Investment per Duct Foot by the Spare Capacity Factor.

2. Expense Data

The Depreciation Expense, Cost of Money, Federal Income Tax, Property Tax, Maintenance Expense, and Administration and Other Expense were developed for each function by multiplying the above investments by the appropriate Annual Charge Percentages. The Annual Charge Percentages is a ratio of expense to investment which, when multiplied by an investment amount, yields the annual recurring costs incurred in connection with that investment. The Annual Charge Percentages can be found within the Collocation Cost Study Support (Tab 3) on the pages labeled as "Annual Charge Percentages."

CBT developed the breakdown of Administration and Other Expense to Part 32 accounts by multiplying the above investments by the Part 32 account components of the annual charge factors. The Part 32 account components can be found at Tab 3 on the page labeled "FULLY ASSIGNED ADMINISTRATION AND OTHER EXPENSE FACTORS BY PART 32 ACCOUNT" and the page labeled "GENERAL SERVICES EXPENSE ANNUAL CHARGE FACTOR BY PART 32 ACCOUNT."

B. Also in paragraph 22(b)(1) of the Order, the Bureau asked the LECs to explain any cost factors that were used to develop costs. CBT used three such cost factors as follows: Annual Charge Percentages, Land and Building Factors, and Central Office Common Equipment Factors. The following describes each factor:

1. Annual Charge Percentages

Annual Charge Percentages are used to develop annual costs associated with an investment. The Annual Charge Percentages consist of the sum of Total Capital Costs plus Total Operating Expenses, for all classes of plant. Forward-looking capital costs are calculated on a year-by-year basis and the results levelized (that is, averaged with consideration for the time value of money) over the life of the investment. Many of the parameters used in the development of capital costs are specified by state and federal regulatory commissions. The capital costs are book depreciation, post tax income (cost of money), and income tax. Each capital cost is described as follows:

Book Depreciation, the repayment of invested capital, is determined by 1) the asset's total investment, less net salvage, and 2) the economic life characteristics: average economic life and anticipated retirement patterns.

Post Tax Income, or Cost of Money, is computed by multiplying the net investment base by the composite (debt and equity mix) cost of money rate.

Income Taxes are levied on utilities' income remaining after payment of operations costs and other deductible amounts. Complex formulas consider the tax rate, deductibles, such as debt interest, the tax depreciation method, etc.

The other component of Annual Charge Percentages is Total Operating Expenses. Operating expenses are those associated with the working physical plant and are a recurring cost of doing business. These expenses are largely wage and salary costs associated with operations, purchases of supplies, and taxes other than income taxes. Annual Charge Percentages are developed for the Operating Expense categories of Maintenance, Property Taxes, Administrative Overhead, and General Services. Each category is described as follows:

The Maintenance percentage is calculated by dividing maintenance expenses for each plant account by the average booked investment. The expenses consist of actual labor amounts charged to maintenance, including social security taxes and payroll related

benefits. A loading factor for miscellaneous maintenance items, such as subscriber line testing, trunk testing, building maintenance, and power, is added to each maintenance expense.

The Property Taxes percentage, for real property, personal property, and other miscellaneous taxes, is developed as follows: The rate of state taxation on real property is determined by dividing real estate property taxes by the booked investment. In Ohio, the real property tax base includes Land and Buildings investments. Personal property taxes are similarly derived. Tangible and intangible personal property taxes are summed and then divided by the booked investment. This investment consists of the total investment in telephone plant less Land and Buildings in Ohio. Added to the real and personal property taxes is a miscellaneous tax rate that is calculated by dividing such taxes by the booked investment.

The Administrative Expense percentage is calculated for each of five categories - Central Office, Outside Plant, Public Telephone, Other Terminal and Land And Building - by dividing the expense for each category by average booked investment for each category. Among the expenses included are Accounting Operations expenses associated with development, training, conversions and upkeep of the procedures and certain mechanized systems associated with Customer Data Processing; business office operations (both staff and line); advertising expenses; certain sales expenses; General Operations expenses associated with External Affairs and Network and Plant Administrations; executive; legal; accident; and insurance expenses.

The General Services percentage consists of costs for support services from Bellcore, plus management fees charged when CBT's parent company, Cincinnati Bell Inc., performs work for CBT. These expenses are divided by average booked investment to obtain the percentages.

2. Land and Building Factors

The land and building ("L&B") factors are developed in order to allocate L&B investments that are associated with Central Office Equipment ("COE"). The L&B study begins with three investments that are used in conjunction with all COE field codes. The three investments are (i) total COE investment, (ii) building investment associated only with COE investment, and (iii) land investment associated only with building investment related to COE investment.

The COE investment being studied by field code is identified and a ratio to total COE investment is developed. The developed ratio is multiplied against the COE building investment and the COE land investment. The land, building and COE investments by field code are then adjusted to current costs and the final L&B factors are developed. The L&B factors are applied to the COE investment by field code.

3. Central Office Common Equipment Factors

The central office common equipment factors are developed in order to allocate common equipment to Central Office Equipment (COE) Investment. Common equipment includes distribution frames, protector frames, central office dedicated tools, power equipment, etc.

The Common Equipment Factors are developed from the COE Investment, with and without Common Equipment, by field code. The COE Investment with Common Equipment is divided by the COE Investment without Common Equipment in order to obtain the Common Equipment Factors.

C. In paragraph 22(b)(2) of the Order, the Bureau asks LECs to explain the basis on which their investment amounts are calculated. CBT used prospective costs to calculate its investments except for land and building, and conduit investments, where embedded costs were used. CBT used the same depreciable lives and rates as used in CBT's 1993 Annual Access Filing.

D. Paragraph 22(b)(3) of the Order requires CBT and the other LECs to describe each nonrecurring charge that recovers labor costs. CBT hired Motz Consulting Engineers, Inc. to assist CBT in determining the construction modifications required to permit physical collocation at CBT's wire centers. The engineering consultant also developed the costs to construct each interconnector's 100 square foot partitioned space. While the costs for labor and materials were not separately calculated in the consultant's study, CBT did not apply any additional overhead loadings to those costs. CBT's tariff simply passes through the costs of the construction to the interconnector. The construction costs are summarized at Tab 2, Appendix 3. The costs for the Common Construction Function and the Interconnector-Specific Construction Function, which CBT recovers through its application fee, were developed as follows:

Common Construction Function-Nonrecurring Rate

The consulting engineer developed the study by first grouping CBT's wire centers into four groups. These groups included major, large, medium, and small wire centers. Costs are supplied for the three largest groups which contain all serving wire centers tariffed for physical collocation. The costs were then developed based on a representative wire center within each group. These "Building Preparation, Design, and Construction" costs included, inter alia, general construction, mechanical and environmental work, card access and security system work, and architectural and engineering fees.

Interconnector-Specific Construction Function - Nonrecurring Rate

These "Partitioned Space Design & Construction" costs include the general construction costs (including the cost to construct each wire cage), mechanical and environmental

work, card access and security system work, and architectural and engineering fees. The costs are the same for each wire center group.

IV. Overhead Cost Information.

The Bureau has asked for information regarding overheads for services that are comparable to expanded interconnection (Order at paragraph 22(c)(1)). The overhead factors used by CBT for generic DS1 and DS3 services, generic voice grade and digital data services, specialized services and DS3 volume and term discounts are identical to those used by CBT for its expanded interconnection service. Since there is no existing demand for expanded interconnection rate elements, unit investments for expanded interconnection rate elements were developed slightly different from unit investments for special access rate elements in CBT's 1993 Annual Access Filing. CBT's best estimate of design criteria (i.e., length of cable from the DSX to the interconnector's cage, length of power cable from the power distribution panel to the interconnector's cage, etc.) were used to develop unit investments rather than a sample of circuit and/or equipment characteristics from CBT records. Appropriate engineering and installation cost factors were then applied to the material costs to develop installed unit investments.

Unit costs were developed for CBT's expanded interconnection rate elements by applying annual charge percentages, consisting of both capital expenses and operating expenses to the unit investments. The rates for expanded interconnection were developed by application of a distributive ratio similar to that developed for use in CBT's 1993 annual access filing. That distributive ratio is applied to each unit cost to arrive at each recurring expanded interconnection rate. The distributive ratio is used to disaggregate the special access revenue requirement to the rate element level. For the expanded interconnection filing, and for CBT's 1993 Annual Access Filing, that ratio was 1.35.

In paragraph 22(c)(2) of the Order, the Bureau requests information regarding the use of "closure factors" to determine rates. CBT did not use a "closure factor" (as defined in the Order) to include overhead amounts in expanded interconnection rates. As described previously, CBT develops unit costs for rate elements using a fully allocated costing methodology that equitably distributes the special access revenue requirement down to the rate element level. CBT applies a distributive ratio to each unit cost in order to close to the special access revenue requirement, per the Commission's rules. CBT applied the same distributive ratio¹ to the expanded interconnection recurring unit costs that it applied to each individual recurring special access rate element unit cost in its 1993 annual access filing. Application of the distributive ratio to the expanded interconnection rate elements, therefore, makes the rate development consistent with the methodology utilized for all recurring special access rates in CBT's 1993

¹The distributive ratio used in CBT's expanded interconnection filing, which was filed six weeks prior to CBT's 1993 Annual Access Filing, was based on preliminary data and, therefore, may vary slightly from the distributive ratio used for the 1993 annual access filing.